Office Memorandum • UNITED STATES GOVERNMENT

TO : AD/RR
THROUGH : Chief, D/S
FROM : Chief, S/TF

DATE: 9 June 1951

SUBJECT: Russian Gold Policy

1. The attached paper (origin not indicated, but transmitted through O/SO), of which I should like to have a copy for the files of this Branch, reached me only today. In view of the paucity of intelligence on this subject so far available, at least in this Branch, this paper is very interesting and extremely valuable, but because of our limited information I am unable on short notice to contribute a very worthwhile critique or evaluation. I will say that this is the type of information we badly need, and whatever SO can provide will be very welcome.

2. Estimated Russian gold stock at 1,000 tons, or the equivalent of US $1.1 billion plus, appears to be more than conservative; it has been estimated elsewhere at US $3 to 4 billion. Furthermore, the 1,000 ton figure does not seem to check with the estimated annual production of 300 to 400 tons, since exports, by this same authority, came to the equivalent of only about 250 tons in the three years 1949 to 51, and there has been no public knowledge of what could be characterized as large gold shipments from the USSR at any time since the 1917 revolution. It would appear that ordinary accumulations, without benefit of recent acquisitions and recently increased production (Paragraphs 4 and 20), would have increased stocks to a figure somewhat greater than the highest of these estimates. In any event, subject paper emphasizes the Soviet thirst for gold and its plans for increased production - plans not dependent upon the profit motive, as is the case in the Union of South Africa, where increased costs have rendered many of the great mines no longer profitable. Regardless of market factors (Paragraphs 22 and 23 are hardly relevant), it is evident that present gold stocks plus anticipated production place the Soviet in a position to pay for any import requirements. This fact raises the question of the effectiveness of financial controls vis-a-vis export controls.

3. Another important subject raised by this paper concerns the Senior Partner's use of gold as a means for the financial and commercial integration of the Bloc. It is certainly a means for tightening the stranglehold (Paragraphs 7, 10 and 11) - and if the policies suggested in Paragraph 21 can be successfully implemented, undoubtedly the real strength of the Sov-bloc will be tremendously augmented.

4. The use of gold exports to provide funds for subversive activities (Paragraphs 17 and 18) should remain a subject of prime interest to CIA intelligence, but in the final analysis there can be no sharp distinction between the uses to which this very concrete asset can be applied - Paragraph 19.